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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

EX PARTE OR LATE FILED

April 29, 1999

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW, Room TW-A325
Washington, DC 20554

RE: *Ex Parte* Notice
CC Docket No. 96-45
CC Docket No. 97-21

Dear Ms. Salas:

On April 28, 1999, Mary Henze and Ernest Bond of BellSouth, Marvin Bailey of Ameritech, James Lambertson of Bell Atlantic and John Hunter of the United States Telephone Association (USTA) met with Irene Flannery, Linda Armstrong, Mark Nadel, Sumita Mukhoty and Genno Fullano of the Common Carrier Bureau.

The purpose of the meeting was to discuss the universal service rural health care program and USTA's comments on the Universal Service Administrative Company's Report to the Commission evaluating the Universal Service Rural Health Care Program. The attached items were part of the discussion.

An original and one copy of this *ex parte* notice are being filed in the Office of the Secretary. Please include it in the public record of the above-referenced proceedings.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "John W. Hunter".
John W. Hunter
Senior Counsel

Attachments (2)

cc: I. Flannery, L. Armstrong, M. Nadel, S. Mukhoty, G. Fullano

Universal Service Rural Health Care

A. Summary Principles

1. Large LECs have been working closely with RHCD to try to make program work.
2. Believe low demand for program's support is primarily a result of fact that problem that Act is trying to solve does not exist to extent that was anticipated.
3. Simplifying program is good idea, but many of recommendations to improve the rural health care program fall outside the scope of the FCC's authority and of the requirements of the Act.
4. Shifting "burden" of application process to service providers is not a solution and could discourage providers from serving rural market.
5. Provisions of Act are narrowly focused on providing "reasonably comparable" rates for telecommunications services to rural health care providers. Achieving rate comparability is a distinctly different goal than providing a "discount" such as under the school and library program. Achieving rate comparability does not guarantee that all rural health care providers will pay less for service than they did before the program.

B. Areas Outside of FCC's Authority

1. Expanding the list of eligible entities: Act was very specific about entities who are eligible for support. FCC does not have authority to expand this list, in particular cannot include for-profit health care providers.
 2. Expanding supported services to include equipment: Act specifically provides support for telecommunications services. FCC does not have authority to include items such as computer equipment or software as eligible for support.
 3. Providing support for services provided by non-ETCs: Except as specifically provided for under the School and Library discount provision, the Act does not allow for non-ETCs to receive reimbursement from the Universal Service fund.
 4. Support for usage based charges: Rates charged per unit of usage are already comparable. Usage patterns not necessarily effected by "ruralness;" and would be inappropriate to make rural HCPs better off than their urban counterparts.
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C. Areas Where FCC Should Modify its Rules:

1. Per location funding limit: Maintaining a per location funding limit is an important safeguard for keeping demand on the fund within the current fund cap. However, the per location funding limit could be made simpler to administer. The FCC could establish a fixed dollar cap or could drop the dollar limit and retain only a bandwidth limitation (where support is provided for any combination of services whose total bandwidth adds up to 1.544Mb or less). Either modification would require a rule change.
2. Calculation of rural and urban rates: For ease of administration and to better achieve goals of program, FCC should consider following approach (which would require rule change):
 - Determine that most charges other than mileage for telecom service are already comparable between urban and rural areas.
 - Determine that all eligible rural health care providers will automatically be provided support for all the mileage charges they are actually charged by eligible carriers for eligible services minus a standardized SUD (i.e., 10 miles) up to their individual MAD minus the SUD.
 - In few cases where there is a urban/rural rate differential on charges other than mileage, RHCPs would self identify to the RHCD which would then perform a more comprehensive rate comparability calculation along lines of today's process.
 - Program could be administered with simpler reimbursement process that would be much less burdensome for RHCPs to apply for and for the RHCD to administer.

D. Other Issues:

1. Third-party billing issue – Current consortium rules should apply. Universal service subsidy must flow to eligible RHCPs.
 2. New Forms/Process design – LECs should be involved in any redesign of RHCD application forms in order to ensure information necessary to simplify processing is collected at front end of process.
 3. Contract vs. tariff
 4. Support second year program delay
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Universal Service Rural Health Care Program

Actual Applicant Information - Michigan (Ameritech)

Comparison of Current Calculation vs. Mileage Based Plan

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
Rural Health Care Provider	Service	Qty	Rural NRC	Urban NRC	Total Rural Monthly Rate	Rural Mileage Component Rate	Rural Other Charges Rate	Total Urban Monthly Rate	Urban Mileage Component Rate	Urban Other Charges Rate	Total Rural Rate	Total Urban Rate	Total Support Current Plan	Per Mile Rate	Circuit Miles	Supported Miles	Total Support Mileage Plan
REMEC	T1	1	\$695	\$695	\$680	\$500	\$180	\$623	\$30	\$593	\$12,935	\$11,909	\$1,026	\$ 10.00	50	40	\$7,200
REMEC	T1	1	\$575	\$695	\$680	\$500	\$180	\$623	\$30	\$593	\$12,815	\$11,909	\$1,026	\$ 10.00	50	40	\$7,200
REMEC	T1	1	\$695	\$695	\$400	\$220	\$180	\$623	\$30	\$593	\$7,895	\$11,909	\$0	\$ 10.00	22	12	\$2,160
REMEC	T1	1	\$695	\$695	\$550	\$370	\$180	\$623	\$30	\$593	\$10,595	\$11,909	\$0	\$ 10.00	37	27	\$4,860
REMEC	T1	1	\$695	\$695	\$710	\$530	\$180	\$623	\$30	\$593	\$13,475	\$11,909	\$1,566	\$ 10.00	53	43	\$7,740
REMEC	T1	1	\$695	\$695	\$449	\$260	\$189	\$623	\$30	\$593	\$8,615	\$11,909	\$0	\$ 10.00	26	16	\$2,880
REMEC	T1	1	\$695	\$695	\$600	\$420	\$180	\$623	\$30	\$593	\$11,495	\$11,909	\$0	\$ 10.00	42	32	\$5,760
REMEC	T1	1	\$695	\$695	\$500	\$320	\$180	\$623	\$30	\$593	\$9,695	\$11,909	\$0	\$ 10.00	32	22	\$3,960
TRIBAL HLTH	T1	1	\$350	\$695	\$1,158	\$728	\$430	\$623	\$47	\$576	\$21,833	\$12,266	\$9,922	\$ 15.82	46	36	\$10,251
LAMBERT HLTH	T1	1	\$350	\$695	\$1,110	\$728	\$382	\$623	\$47	\$576	\$20,329	\$11,909	\$8,765	\$ 15.82	46	36	\$10,251
MARQUETTE GENL																	
DICKINSON	ISDN CT	3	\$2,451	\$199	\$768	\$76	\$692	\$481	\$4	\$477	\$16,266	\$8,851	\$7,415	\$ 1.26	60	50	\$3,402
IRON COUNTY	ISDN CT	1	\$817	\$66	\$247	\$86	\$162	\$160	\$4	\$156	\$5,268	\$2,950	\$2,318	\$ 1.26	68	58	\$1,315
UGLETI	ISDN CT	3	\$398	\$199	\$53	\$0	\$53	\$481	\$4	\$477	\$1,348	\$8,851	\$199	\$ 1.26	0		
DR'S PARK	ISDN CT	1	\$817	\$66	\$234	\$73	\$161	\$160	\$4	\$156	\$5,034	\$2,950	\$2,083	\$ 1.26	58	48	\$1,089
SAULT STE MARIE	ISDN CT	1	\$817	\$66	\$344	\$183	\$162	\$160	\$4	\$156	\$7,014	\$2,950	\$4,064	\$ 1.26	145	135	\$3,062
KINGSFORD	ISDN CT	3	\$2,451	\$199	\$768	\$76	\$692	\$481	\$4	\$477	\$5,099	\$2,950	\$2,149	\$ 1.26	60	50	\$3,402
KEEWEENAW**	ISDN CT	1	\$817	\$66	\$217	\$88	\$128	\$160	\$4	\$156	\$4,715	\$2,950	2ND APPL	\$ 1.26	70	60	2ND APPL
STEPHENSON	ISDN CT	1	\$817	\$66	\$256	\$90	\$166	\$160	\$3	\$157	\$5,422	\$2,950	\$2,472	\$ 1.15	78	68	\$1,542
GRANDVIEW	ISDN DIR	3	\$92	\$396	\$98	\$0	\$98	\$162	\$3	\$159	\$1,851	\$3,307	\$0	\$ 0.96	0		
STEPHENSON	56K	1	\$669	\$669	\$198	\$35	\$164	\$204	\$3	\$201	\$4,242	\$4,340	\$0	\$ 0.96	36	26	\$449
DICKINSON CNTY	T1	1	\$350	\$695	\$488	\$0	\$488	\$623	\$47	\$576	\$9,134	\$11,909	\$0	\$ 15.82	0		
IRON MOUNTAIN	T1	1	\$350	\$695	\$1,316	\$933	\$382	\$623	\$47	\$576	\$24,030	\$11,909	\$12,466	\$ 15.82	59	49	\$13,953
HANCOCK	T1	1	\$350	\$695	\$1,473	\$1,092	\$381	\$623	\$47	\$576	\$26,878	\$11,909	\$15,314	\$ 15.82	69	59	\$16,801
SAULT STE MARIE	T1	1	\$350	\$695	\$277	\$0	\$277	\$623	\$47	\$576	\$5,332	\$11,909	\$0	\$ 15.82	0		
SANDST	T1	1	\$350	\$695	\$276	\$0	\$276	\$623	\$47	\$576	\$5,318	\$11,909	\$0	\$ 15.82	0		
MARQUETTE	T1	1	\$695	\$695	\$488	\$0	\$488	\$623	\$47	\$576	\$9,479	\$11,909	\$0	\$ 15.82	0		
GWINN	T1	1	\$350	\$695	\$667	\$285	\$382	\$623	\$47	\$576	\$12,355	\$11,909	\$791	\$ 15.82	18	8	\$2,278
L'ANSE	T1	1	\$350	\$695	\$1,221	\$838	\$382	\$623	\$47	\$576	\$22,322	\$11,909	\$10,758	\$ 15.82	53	43	\$12,245
ESCANABA	T1	1	\$350	\$695	\$1,299	\$918	\$381	\$623	\$47	\$576	\$23,746	\$11,909	\$12,182	\$ 15.82	58	48	\$13,668
REED CITY HOSP	T1	1	\$695	\$695	\$998	\$872	\$126	\$623	\$42	\$581	\$18,659	\$11,909	\$6,750	\$ 13.84	63	53	\$13,203

**2ND REQUEST. NOT LIKELY TO GET SUPPORT

PROPOSED/CORRECTED CTX ISDN RATES

DICKINSON	ISDN CT	3	\$0	\$0	\$714	\$76	\$638	\$493	\$4	\$489	\$12,849	\$8,878	\$3,971	\$ 1.26	60	50	\$3,402
IRON COUNTY	ISDN CT	1	\$0	\$0	\$247	\$86	\$162	\$164	\$4	\$161	\$4,451	\$2,959	\$1,491	\$ 1.26	68	58	\$1,315
UGLETI	ISDN CT	3	\$0	\$0	\$53	\$0	\$53	\$493	\$4	\$489	\$950	\$8,878		\$ 1.26	0		
DR'S PARK	ISDN CT	1	\$0	\$0	\$234	\$73	\$161	\$164	\$4	\$161	\$4,217	\$2,959	\$1,257	\$ 1.26	58	48	\$1,089
SAULT STE MARIE	ISDN CT	1	\$0	\$0	\$344	\$183	\$162	\$164	\$4	\$161	\$6,197	\$2,959	\$3,238	\$ 1.26	145	135	\$3,062
KINGSFORD	ISDN CT	1	\$0	\$0	\$238	\$76	\$162	\$164	\$4	\$161	\$4,283	\$2,959	\$1,324	\$ 1.26	60	50	\$1,134
KEEWEENAW**	ISDN CT	1	\$0	\$0	\$217	\$88	\$128	\$164	\$4	\$161	\$3,898	\$2,959	\$938	\$ 1.26	70	60	2ND APPL
STEPHENSON	ISDN CT	1	\$0	\$0	\$256	\$90	\$166	\$164	\$3	\$161	\$4,605	\$2,959	\$1,646	\$ 1.15	78	68	\$1,542

Data for total rural and urban rates for each line entry comes from the actual Form 468 worksheet from each individual application now on file with the RHCD

Additional columns are supplied for both the rural and urban rates which break those charge down into 1) mileage components, and 2) all other charges

Note that column H (Rural Other Charges) is generally less than column K (Urban Other Charges). This effect usually results from rural customers signing longer term contracts at reduced rates,

whereas the posted urban rate is based on month-to-month tariffed rates. This has the effect of diminishing the universal service support to the RHCP

Under the mileage plan, support would be calculated using actual circuit mileage (Column P) minus a standardized SUD of 10 miles up to the MAD

In most cases, this calculation would result in more universal support flowing to the RHCP (Column R) than under the current calculation (Column N)